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Transit transport systems for Ethiopia

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INTRODUCTION

1. Ethiopia had been one of the major maritime countries in the Horn of Africa. However, since May 1991, with the creation of the independent State of Eritrea, Ethiopia became land-locked and joined the group of the land-locked countries of Africa. Hence, this report briefly considers Ethiopia's transit options to the sea and discusses some of the current major problems of transit traffic pertaining to the ports of Assab and Djibouti. First, a brief introduction of the country is given with emphasis on road transport networks. This is followed by a review of the recent major developments, particularly the deregulation and liberalization of the Ethiopian transport sector and some of the port use and transit service agreements that Ethiopia concluded with her neighbours. The report then assesses all actual and potential sea ports which may be considered for use as transit ports for cargo originating in or destined for land-locked Ethiopia. The report finally discusses the major problems of transit traffic in the Ethiopia-Red Sea Transport Corridor, underlying some of the major physical and non-physical impediments to Ethiopia's transit trade in the Corridor.

I. ETHIOPIA'S OUTLETS TO THE SEA

A. Background

2. Ethiopia is a country of about 55 million people located in the Horn of Africa. It has a total land area of about 1.2 million square kilometres, comprising a central highland mass surrounded by lowlands. It has several big and medium river basins which radiate from the central highlands to lowlands bordering neighbouring countries and contain a total annual run-off about 105 billion cubic meters of water, of which 96 per cent flows to neighbouring countries. The country has enormous water resources in its numerous lakes which can be used for rural and urban water supply, irrigation, fisheries, tourism transport and for other economic activities. The Rift Valley lakes, rivers and streams are particularly well suited for irrigation, fishing, inland water transport and tourism.

3. The country is predominantly agricultural, its main export item being coffee followed by hides and skins and pulses. Major imports include fuel, machinery, transport equipment, manufactured products, chemicals, spare parts, and industrial and agricultural inputs.

4. Road transport is the principal means of transport in the country. Both asphalt and gravel roads, which radiate from the capital city Addis Ababa, connect major regional cities and towns engaged in commercial, industrial and agricultural activities. Ethiopia is linked by road network of international standard with Nairobi, Djibouti and Asmara, the capital cities of Kenya, Djibouti and Eritrea respectively. There is an international railway line (Ethio-Djibouti Railway) which stretches for about 781 kilometres and connects Addis Abba with the port city of the Republic of Djibouti.

5. The Baro-Akobo river transport system, which is now seasonal, connects the South Western part of the country with the Sudan. Centuries ago when the

Red Sea Ports of Assab and Massawa were briefly occupied by foreign powers, the Baro-Akobo river transport system was one of the major international outlets to the sea via Port Sudan on the Red Sea.

6. Ethiopia's trade statistics 1/ show that over the last five years seaborne dry cargo trade has been steady at approximately 1.1 million tonnes per year and exports fluctuate between 100,000-150,000 tonnes. The volume of petroleum and petroleum product imports now exceeds 1.2 million tonnes per year on average.

7. The Red Sea port of Assab in Eritrea, through which over 75 per cent of the Ethiopian international trade cargo flows, is connected by a major highway to Addis Ababa and the central and northern regions of the country.

8. With regard to maritime transport, Ethiopia has a shipping line that operates on a liner service basis. The line handles about 62 per cent of the country's dry cargo imports.

B. Recent developments

9. Since the change of government in May 1991, the Ethiopian transport sector has been gradually liberalized. The new transport policy of the Government has the following overall objectives:

(i) Limiting the role of the State in the sector

10. Studies to remove existing restrictions and to legislate for private capital participation in medium-sized air and rail transport operations are under way. This has created a conducive environment for private transport operators. State transport corporations which used to operate and simultaneously regulate transport services have been dissolved and, instead, the Ethiopian Road Transport Authority (RTA) is given exclusive regulatory functions. Check-points and institutions set up for the purpose of enforcing restrictive regulations have been dismantled. State transport corporations have been restructured and new enterprises have been formed which operate on the basis of commercial criteria and are profit-oriented. With a view to eventually privatizing these new enterprises, a Five Year Privatization Programme has been prepared.

(ii) Encouraging private capital to broaden its participation in road transport activities

11. The existing transport policy is not confined to removing past restrictions imposed on private capital participation in the road transport sector; it also serves to encourage private capital investment in the sector by issuing appropriate regulations and by establishing mechanisms for enforcing them. Furthermore, relatively large amounts of foreign exchange have been made available to the private sector from loans and grants received

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1/ See tables 1 and 2.

from foreign governments and international financial institutions for the procurement of trucks, spare parts and tyres through the Emergency Recovery and Reconstruction Programme (ERRP).

12. Domestic entrepreneurs are guaranteed the right to invest and operate in the sector without any limitation on capital. As a result, a number of private transport associations and companies have emerged and are now playing a dominant role in the sector, facilitating cargo movement in the Addis Ababa - Assab - Djibouti transit corridor.

C. Ports and transit services agreements

13. The Government signed a ports and transit services agreement with the State of Eritrea on 20 January 1992. According to the agreement, the ports of Assab and Massawa in Eritrea shall serve Ethiopia as transit ports for surface transport of goods originating from and destined for Ethiopia. It was provided in the agreement that the contracting parties shall endeavour to take all measures necessary for the expeditious movement of traffic and to avoid unnecessary transit delays of goods passing through their respective territories. The parties have agreed to simplify and harmonize transport and transit documents and procedures to facilitate the smooth flow of goods in transit. Similar agreements were signed for the road, air and communication services between the two countries.

14. The Djibouti Port Utilization Agreement, signed in 1993 and now in force, commits the Republic of Djibouti to guarantee to Ethiopia permanent right of access to the sea and to transit goods from and to Ethiopia through its territory. It further guarantees to Ethiopia the right to use infrastructure and equipment of the international port of Djibouti and if necessary to invest there in order to promote Ethiopia's foreign trade flows.

15. The right to use the port not only includes utilization of all facilities in the port's free zone but ensures that the benefit of preferential tariffs on all services offered by the port of Djibouti are also enjoyed by Ethiopia. According to the agreement, Ethiopian enterprises can demand and obtain plots of land in the duty-free zone of the Port of Djibouti for their transit operations. Contracting parties to the agreement have further agreed:

(i) to harmonize and coordinate transport and communications operations to facilitate the smooth flow of traffic between the two countries;

(ii) to harmonize and simplify formalities and documentation required for the movement of people, goods, vehicles, vessels, aircraft and other communication services.

16. Ethiopia and Sudan have also signed a similar agreement for cooperation in transport and communications. With regard to road building, the two sides have agreed to undertake joint studies leading to the construction of roads connecting their border towns and cities. The two sides have also agreed to study jointly the river transport along the Malakal - Nasser route in the Sudan connecting with Gambela in Ethiopia. This river transport route links Ethiopia with Port Sudan on the Red Sea. The purpose of all these agreements with neighbouring countries is to ensure Ethiopia's access to the sea so that

Ethiopia's foreign trade can flow without much hinderance through all possible ports in the region, thus minimizing dependence on any one outlet.

D. Sea ports serving Ethiopia

17. For years, Ethiopia's foreign trade enjoyed constant access to the sea and foreign markets mainly through the ports of Assab, Massawa, and Djibouti. The port of Assab, which has seven general cargo berths and well equipped handling facilities, alone handled over 75 per cent of the country's sea-borne dry cargo trade that flows via the Red Sea Corridor while Massawa and Djibouti shared the rest. Coffee, the main Ethiopian export, was mostly shipped via Assab, enjoying the preferential tariff and other advantages the port used to offer. The nation's crude oil import is shipped in via this port and the products are distributed from there to the hinterlands by road after refinement. Petroleum products needed for use in the Eastern Regions of Ethiopia are trans-shipped through the port of Djibouti.

18. The port of Massawa, whose physical condition has deteriorated following the severe war damage, used to serve mainly Eritrea and, to some extent, the northern regions of Ethiopia. The port, together with its connecting roads, require heavy investment for reconstruction and rehabilitation before opening up to heavy traffic. The port of Djibouti, which is the terminal of the Ethiopian rail corridor, has at the moment a much larger capacity that Assab and Massawa combined. It has some 13 berths dredged to a depth of 9 and 12 metres, as well as a modern container terminal, a wide storage space and a tax-free transit facility for transit cargoes. Despite these handling and storage capacities at Djibouti, the flow of Ethiopian cargo traffic via the port has declined, owing mainly to the limited capacity and unreliability of the railway between Djibouti and Addis Ababa. During the last few years, however, the Djibouti port Authorities have been pursuing aggressive marketing policies to attract more cargo to the port. Ethiopia expects to benefit from these improvements provided the rehabilitation plans on the Ethiopia Djibouti railway are successfully completed. This is also true for Assab and Massawa where transport links with their hinterland require major upgrading to serve modern long and heavy trucks and large containers.

19. As Ethiopia is the only hinterland and the major user for the port of Assab and Djibouti, it can count on favourable treatment for its cargoes. Hence, port authorities in both countries are expected to adopt a fairly reasonable port policy towards transit cargoes so that Ethiopian exporters and importers will continue to regard Assab and Djibouti as their most favoured traditional ports.

20. In addition to Assab, Massawa and Djibouti, Ethiopia may also make use of the following sea ports as alternative outlets to the sea, namely, Berbera and Zeila in Northern Somalia. These ports, which are connected primarily by road network to the hinterland of Ethiopia, are not yet well developed and equipped to serve big ships. However, recent reports confirm that some cargo destined to or originating from Eastern regions of the country has already been passing through these ports for the past few years. In the future, the ports of Mogadishu and Kismayu in Somalia may also be considered as transit ports for Ethiopia, provided security is restored in the former country. Furthermore, despite the long distance from Ethiopia, the international port of Mombassa in

Kenya is one of the major ports in the south which could provide an outlet to the southern regions of Ethiopia. Considerable measures must, however, be taken to upgrade the road transit routes in order to reduce transport costs. The current liberal trade policy of Ethiopia is targeted at providing the environment required to encourage Ethiopian importers and exporters to use those ports that offer the best facilities in terms of savings in transit time, handling costs, efficiency and cargo safety.

II. SELECTED PROBLEMS IN ETHIOPIA'S TRANSIT TRANSPORT SYSTEM

A. Transit ports

21. Some of the ports which serve Ethiopia's cargo have physical limitations. The gradual decrease of the drafts of some of the berths due to silting is prevalent at the ports of Massawa and Assab. This limits the possibility of handling larger vessels. These ports, except for the port of Djibouti, have no container berths with high performance ship/shore handling equipment. This inhibits the development and expansion of containerization facilities. There is high reliance on geared container ships which have a slower handling rate and are more expensive. At the moment there is strong pressure from Ethiopian foreign trade partners to containerize cargoes destined to/originating from Ethiopia. However, physical limitations in the port have not allowed Ethiopian importers and exporters to respond readily to such international requirements. Inadequate port equipment, lack of spare parts and deficient maintenance facilities are problems which affect the capabilities of most of the transit ports serving Ethiopia. In addition, there are problems related to insufficient transport equipment, storage and clearance facilities, and poor condition of the long roads connecting transit ports.

22. Apart from physical difficulties, however, there are other problems which directly affect port capacity and efficiency. These relate to cumbersome procedures and regulations for clearing the cargo through the ports. In some cases, cargo port times are excessive by international standards. The average time between discharge of import cargo from the vessel to clearing and dispatch is about 45 days, the major factor being delays in document processing. For export cargo, the time between the arrival of cargo at port storage facility until loading aboard ship is about 30 days. In some ports, the work hours of administrative and operational staff are not synchronized. Such practices have serious implications for vehicle turn-around times, as loaded trucks may often have to stay at port overnight until customs issue transit clearance the next day.

23. With regard to port tariffs, there is wide divergence between tariff structures applied by ports serving Ethiopia's cargo. For instance, some ports use flat rates while others operate a charging system that varies with the circumstances and nature of the cargo handled. In ports like Assab, a single operator takes care of the whole port operation and cargo is charged on per ton or per hour basis. On the other hand, in the port of Djibouti, services are provided by various independent private operators who apply their own tariffs. This heterogeneous system makes it very difficult for Ethiopian importers and exporters to determine their costs beforehand, and to distribute

cargo among ports rationally. As a result, today some ports are congested while others are under-utilized. It is important to note that all transit services are paid for in foreign exchange.

B. Facilitation of transit documents and procedures

24. New internal mechanisms to promote organizational efficiency and streamline documentation procedures have been put in place. The past practice of physical examination of all import consignments has been slightly improved and cargo escorts have been minimized to expedite cargo movements and further shorten customs transit times. Furthermore, the Government is seriously considering the construction of an Inland Clearing Depot (ICD) near Addis Ababa, for which a diagnostic study has already been finalized. Upon completion, the Inland Clearance Depot will have, among other things, all necessary customs facilities for the examination and clearance of goods. Cargo clearing, freight forwarding services are now partly provided by private operators - a development which has encouraged competition in the market.

Table 1

ETHIOPIAN TRADE STATISTICS, 1988-1993

Dry Cargo Imports by Transit Port
(tonnes)

	TOTAL DRY	TRANSIT PORT		
		ASSAB	DJIBOUTI	MASSAWA
1988/89	1,104,869	1,006,227	80,487	18,155
1989/90	931,853	856,524	61,295	14,034
1990/91	944,825	790,045	154,780	-
1991/92	1,065,003	881,706	183,297	-
1992/93	1,135,303	1,007,039	128,114	150

Source: Pre-feasibility study of an Inland Clearing Depot (ICD), Scott Wilson Kirkpatrick, 1994.

Table 2

ETHIOPIAN TRADE STATISTICS, 1988-1993

Dry Cargo Exports by Transit Ports
(tonnes)

	TOTAL	ASSAB	DJIBOUTI	MASSAWA	MOYALE
1983/84	263,700	224,000	24,700	14,000	-
1988/89	148,907	125,661	23,246	-	614
1989/90	174,447	148,855	25,592	-	9,956
1990/91	119,850	82,601	37,249	-	12,292
1991/92	65,135	37,325	27,810	-	37,231
1992/93	94,177	82,654	11,523	-	25,006

Source: Pre-feasibility study of an Inland Clearing Depot (ICD), Scott Wilson Kirkpatrick, 1994.